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C O N F I D E N T I A L SECTION 01 OF 02 ATHENS 001380

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TAGS: [PREL](#) [PGOV](#) [GR](#)
SUBJECT: TOUGH TIMES FOR PM KARAMANLIS

REF: ATHENS 1302 AND PREVIOUS

Classified By: Ambassador Daniel V. Speckhard for 1.4 (b)
and (d)

SUMMARY

11. (C) Recent weeks have not been kind to PM Karamanlis. His ruling New Democracy (ND) party is now polling lower than major opposition party PASOK. His razor-thin two-vote majority in Parliament has been further reduced to a one-vote majority, following a September 30 expulsion from the ruling party's caucus of a ND MP who had publicly called for two senior Karamanlis advisors to resign. It is clear that Karamanlis' focus will be on maintaining ND party discipline, and a few other ND MPs are grumbling about the current situation. Although Karamanlis is a cagey politician who has weathered other storms, the current situation is certainly constraining his room for maneuver - both on unpopular but necessary reforms, and on key international issues - such as the macedonia name issue. End Summary.

ND MP Expelled from Party Caucus

12. (C) ND MP Stavros Dailakis was expelled September 30 from the ruling ND party caucus in Parliament, reducing the GOG's already razor-thin majority from two to one votes (151 of 300 seats). Although ND party officials had asked Dailakis to resign from Parliament as well, thus opening the way for a ND "alternate" to replace him, Dailakis has refused to do so. He has stated publicly that he intends to "vote with" the government, but ND officials have privately made clear they are uncertain if they can count on his support in Parliament.

13. (SBU) The expulsion took place following widely publicized statements over the weekend by Dailakis that Minister of Information and Government of Greece spokesman Roussopoulos should resign due to possible links to a land swap scandal. Dailakis also called for the head of Karamanlis' private office, Yiannis Angelou, to be removed, due to his "interference" and "isolation of the PM from the real world." This was seen as a direct challenge to Karamanlis who had -- just days prior on September 26 -- publicly met with the ND caucus and openly challenged them to maintain party discipline. In his September 26 speech to the caucus, Karamanlis made clear his determination to proceed with reforms, adding "I say no to the undermining of the government. Let whoever has other plans to question me directly, let him topple the government."

14. (SBU) The problems within the ruling party's caucus have been fueled by extensive public comment on recent polling data which indicate a slight voter preference for major opposition party PASOK over Karamanlis' ND, for the first time since Karamanlis took office (approximately 34.5 for PASOK vs. 32.5 for ND; these figures are within the margin of error, and are changing daily as new polls are commissioned). Ongoing stories of potential scandals, coupled with GOG expressions of intent to "stand firm" on unpopular (but likely necessary) economic reforms have further fueled popular discontent with the GOG. One recent poll shows that 84 percent of respondents are "angry" with Karamanlis and 75 percent are "worried" about his leadership.

Why it matters? A PM Focused on Party Discipline

5.(C) Comment: Although Dailakis' was the most egregious case, he is not the only ND MP who is grumbling about the GOG's course. We anticipate that PM Karamanlis will be devoting substantial time, energy, and attention to maintaining party discipline. Rumors of possible early elections are rampant, and although rumors of possible early elections are part of the Greek political terrain, they are currently adding to the urgency for Karamanlis to keep his slight majority in Parliament together. As one of his advisors put it: " he can not afford to lose even one

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more MP." We anticipate that the Prime Minister will be distracted, at least in the short-term, by domestic political concerns. This will likely impact his ability to aggressively pursue his reforms reform agenda. It may also affect GOG room for maneuver on key international issues that attract popular attention - such as the prospects for Kosovo recognition or the Macedonia name issue. End Comment.
SPECKHARD